

TOWARDS THE NEW EUROPE: SOME REFLECTIONS ABOUT THE CONSEQUENCES OF “EASTERN” ENLARGEMENT(S)

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For several reasons, the "Eastern" enlargement of the European Union can be considered unique. However, the most important factors of this enlargement process are not just those that have generally been emphasized in the "old" member countries and that, unfortunately and absolutely unjustified, in the last period, happened to become part of the populist arguments put forward not only by smaller status-quo-oriented groups but by "responsible" politicians of several EU countries alike. This paper tries to identify some of the strategic changes Europe in general, and the European integration in particular, has to face not only as a result of the ongoing enlargement process but, more importantly, as participant and active player in the globalizing economy.

1. Introductory remarks

The fifth enlargement of the EU (not considering the German unification as a special form of enlargement) is embedded into a different framework as compared to the environment of previous enlargements.

First, global economic conditions have dramatically changed. The centre of world economic growth shifted from Europe and the transatlantic area to the Pacific Rim and, more obviously, to China and India. Most production factors encounter less barriers than earlier (trade, services), and international capital is moving almost absolutely free around the world. For economic, social, psychological and administrative reasons, labour only faces substantial hindrances so that it is mainly capital that goes to labour and not the reverse. This process is not restricted to Europe but, much more importantly, has a global character. Whenever we try to assess the benefits and costs of enlargement, this element has to be seriously considered.

Second, the European integration needs a number of internal reforms on the community level. Most of them have become overdue in the last years, irrespective of the "Eastern" enlargement (common agricultural policy, British rebate, new community budget, institutional changes). Moreover, the deepening of the integration requires the definition and implementation of new community policies, mainly in the field of foreign and security policy, justice and home affairs, or the community-level regulations of parts of the internal market (financial services, transportation, energy, *etc*). One should not forget that all previous enlargements have been organically linked to an ongoing process of deepening that started well before the enlargement took place. Britain, Ireland and Denmark joined at the moment where the implementation of the common trade policy reached its last stage. The accession of Spain and Portugal coincided with the starting of the ambitious programme of creating the internal market. Finally, Austria, Finland and

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Sweden entered when the timeframe of implementing the economic and monetary union and creating the new common currency was already accepted. In this comparison, the "Eastern" enlargement is not accompanied by any large-scale programme of deepening (the constitution, irrespective of its acceptance or rejection in the different member countries, cannot be considered as such). To be sure, the enlargement in general, and the new member countries in particular, cannot be blamed for this missing link. This should have been created by the EU-15 in the years following the unprecedented transformation of the military, political, economic and social map of Europe following 1989. Concerning the new members, they are expected to generate this development and make Europe fit for challenges deriving from the global environment and from the internal dynamism of integration.

Third, a number of economic and social reforms are badly needed in several member countries. Unlike in periods of previous enlargements, the core economies of the EU, namely those of Germany and France (but also of Italy), became the sick members of the integration. While the geographic periphery of the integration generally reveals normal or high growth rates, rapid structural change, more and more signs of the information society, the large countries of the EU are hardly growing. Not only for themselves, but for the future of Europe, they would need bold reforms, a new social mentality and a renewed responsibility for the continent. Unfortunately, this is not or only very slowly happening. Instead of taking the enlargement as a unique opportunity, many politicians, and, unhappily, a large part of the society as well, consider the "Eastern" enlargement as a risk factor. In addition, the domestic problems of France and Germany have paralyzed their cooperation in deepening the process of integration. Just the opposite, if there is any cooperation it aims at keeping the status quo instead of formulating future-oriented strategies for Europe. It is another question that the Franco-German alliance, a product of history, cannot serve as a model and a driving force in the enlarged European Union. Even if both countries were economically healthy and dynamic, a Europe of 25+ has to be organized in a different framework, with the active contribution of the new member states.

The current paper does not deal with the experiences of the new member countries in the first year of membership, however important and interesting some of them might be. Our attention is focused on the fundamental changes produced (and partly to be produced) by the last enlargement (wave) that are expected to create a new Europe. Whether this Europe will be more or less competitive on the global scale, and, whether the new Europe will move towards a more federal structure or intergovernmental patterns remain dominating, cannot be told at the moment. One can only hope that all or most new member countries keep on being interested in a globally competitive, strong and cohesive (solidarian) Europe based on institutions and decision-making processes characterized by the growing weight of federalism.

2. Too many countries

In fact, the European integration has never experienced an enlargement by such a large (and such a heterogeneous) group of countries. Not less importantly for the future, promise has been given to further countries to join in case they fulfil the changing and ever stronger accession criteria. Bulgaria and Romania have completed negotiations,

signed the accession documents and expect membership in 2007. The enlargement program beyond 2007 is not linked to any fixed date, but negotiations may start soon with some Western Balkan countries (the starting of talks with Croatia was already postponed) with potential membership between 2010 and 2015. Moreover, official negotiations are scheduled to start with Turkey in October 2005.

Looking back from the anticipated date of 2015, the process of "Eastern" enlargement comprises a period of 25 years. Three basic elements characterize this process. First, in most of the nineties, the EU did not have a clear strategy of enlargement. In contrast to other strategic developments of the integration, as the common trade policy in the seventies, the creation of the single market in the eighties, or the implementation of the economic and monetary union in the nineties, all of which followed a clear timeframe, the enlargement did not evolve according to a strategic plan. Second, all countries wishing to join have undertaken fundamental and, both in economic and in social terms, often costly reforms in order to fulfil the criteria of joining the club. These countries, together with global and European developments, have produced the dynamism that paved the way of enlargement and forced Brussels to enlarge. Third, most of the old member countries delivered political declarations in favour of enlargement but did little, if any, at home to prepare their economies and societies for the challenges and chances of an enlarged/enlarging Europe. Just the opposite, all of them exploited the possibilities provided by the transformation and uniquely rapid liberalization of Central, Eastern and Southeastern Europe in order to further finance their status quo and delay partly painful changes at home.

In case of a clear enlargement strategy, the "big-bang" enlargement could have been easily avoided, most probably with the same number of members by 2004 as it really happened. Some transforming countries have been in favour of small group enlargements, based on their development (EU maturity) level and considering the absorption capacity of the EU. From the very beginning of the transformation,' it was obvious that the applicant countries had substantial differences both in their economic performance and in their political culture as well as in their social mentality. Disregarding their „flexible" and politics-driven interpretation, the fulfilling of the Copenhagen criteria did not mean by any instance that the candidates, with which negotiations were finished and appropriate documents signed, would have achieved the same level of development and EU maturity. However, narrow-minded political considerations in Brussels and in the key national capitals have regularly swept away such considerations and concerns. As a result, the large-group enlargement could not be avoided - with all of its positive and negative consequences, both for the old and the new members.

The same applies for the next stages of enlargement, for the EU does not have any clear strategy concerning the geographic borders of Europe and the sequencing of further accession. On the one hand, the extension of the zone of stability in Europe and towards the neighbouring region of the EU is of key importance for the continent. On the other hand, however, the internal cohesion of the integration has to be maintained. Otherwise the anchor role of the EU may be seriously questioned or even damaged. Moreover, some countries wishing to join the EU may be forced to introduce domestic reforms, as a precondition of membership that would undermine internal stability. As a result, the balance between the positive impact of importing stability from the EU and creating instability at home may end up in a negative sum game with serious consequences both

for the given applicant country and for the entire integration. This imbalance is already visible in some candidates and would certainly be exacerbated in the case of Turkey, Ukraine or the Caucasian countries - all of them looking for EU membership in the future.

The EU committed *a fundamental error* by not developing a clear plan of enlargement in the early nineties, immediately following the collapse of the divided Europe and the reunification of Germany. The result is the big-bang enlargement that, hopefully, still can be managed and exploited for a future-oriented Europe. The related political decisions have not been taken in the candidate countries but in the "old" EU, both in Brussels, and in the key national capitals. Therefore, none of the new member countries can be blamed for eventual problems resulting from the enlargement. At the same time, it is the common responsibility of the EU-25 to determine a clear enlargement strategy for the next decade and draw the obvious conclusions and lessons from the mistaken approach to enlargement of the last 15 years.

3. Are the new members too poor...?

Based on official figures of the Eurostat, none of the ten new members, let alone those waiting for membership in the next decade, reaches the average GDP per capita level of the EU-15. Still, as most average figures, this indicator is also misleading, thus the new group contains countries on rather different levels of economic and social development. The gap between the richest and poorest new member countries and regions is 1 to 2.6, or higher than among the EU-15 (excepting the figures for Luxembourg). More importantly, some new members are much closer to the poorer old members than to other countries belonging to the group of the ten countries that joined in May 2004. Cyprus, Slovenia, but also the Czech Republic and Hungary are better to be compared with Greece or Portugal than with Latvia or Lithuania (or even Poland). This gap widens even more if we take into account the GDP per capita figures of the two countries that are expected to join in 2007 (Bulgaria and Romania). Excepting Croatia, the accession of the Western Balkan countries and later the potential accession of Turkey would create a completely new map of "richness" and "poverty" in Europe.

It has to be emphasized that GDP per capita figures (even calculated at purchasing power parity), although the relatively best comprehensive indicator, do not necessarily truly reflect the development level of a given country. What really matters is the presence or lack of dynamism behind this figure on the one hand, and the sustainability of the catching-up potential, on the other. Most new member countries have shown a rapid take-off following the first years of transformation characterized by crisis and rapidly declining GDP figures. From the mid-nineties on, the Central European countries started a quick and sustained process of growth, accompanied by the Baltic States after the financial crisis and, most recently, also by Southeastern Europe. Evidently, the starting level was rather different from country to country. Therefore, high growth rates in themselves do not necessarily create immediate positive changes that would be visible and tangible for a large part of the society. However, growth rates two or three times higher than in the EU-15 have already initiated a catching-up process that can be proved by statistical figures as well. For instance, Hungary stood at about 45 per cent of the EU-15 average of GDP per capita in 1995. In turn, a decade later, its comparable figure was

about 55 per cent of the EU-15 and slightly above *GO* per cent of the EU-25. Similarly, Slovenia has reached the Greek-Portuguese level already at the moment of membership. Still, a warning should not be neglected. For simple mathematic reasons, the initial level from which higher growth starts may substantially influence the speed and nature of the catching-up process. Average growth rates twice the EU-15 average are able to reduce the GDP per capita gap if the starting level of the given country is higher than 50 per cent of the EU-15 average (see Slovenia, the Czech Republic, Hungary). However, a higher growth rate differential (sometimes three to four times the EU-15 average) would be required for countries starting high growth at 30 to 45 per cent of the EU-15 average in order to start reducing the "development gap". Positive examples have already been delivered by the Baltic countries, but also by Bulgaria and Romania. The real question remains the sustainability of the process, since the catching-up process is likely to be rather long (even to 50 per cent of the EU average, let alone to the "magic" 75 per cent under which, according to the current rules of the game, regions are considered to obtain automatic financial support from the community budget).

Another important factor of the catching-up process is the continuous appreciation of the national currencies *vis-a-vis* the euro. Most currencies of the region (the Polish zloty, the *Czech* and Slovak crown, and even more, the Hungarian forint) were constantly exposed to an external pressure of appreciation. As a result, their growth rate expressed in euro was even more impressive and could substantially reduce the "development gap" between the old and the new member countries. The basic question for the future is to what extent and under what kind of economic policy mixture can this process be sustained without negative impacts on the rapidly increasing competitiveness of the new member countries. This is a particularly interesting issue for those countries that have already joined the exchange rate mechanism of the monetary union and want to introduce the euro in 2007 or 2008. In addition, the same problem has to be faced by future member countries that had introduced either a currency board (Bulgaria) or fixed to or partly replaced their national currency by the euro (Montenegro, Bosnia).

Finally, the impact of EU resources has to be considered when comparing GDP per capita figures. Until the end of 2006, the new member countries receive a fraction of the financial resources that old member countries gain from the community budget. While some old net beneficiaries used to have access to EU funds in the amount of 2 to 4 per cent of their GDP, the money available for the new countries generally remained well below 1 per cent of GDP. Even without taking into account the potential multiplier impact of such resources on the overall economic development, just the sheer size of the transfers explains part of the "gap". In other words, the GDP per capita difference would be even smaller if, from the very beginning of membership, the new members could have relied on the same share of EU transfers as the old member countries did. Thus, taking into account this factor as well, the statistical difference could be reduced by another 1 to 3 percentage points.

4. ...but they are dynamic and competitive economies

In a rapidly changing world and in a new Europe facing global and regional challenges, new factors have to be identified in order to adequately measure the

performance capacity of the EU member states. Among others, the following factors have to be reckoned with.

First, most new member countries have introduced fundamental reforms in the last ten to fifteen years. They liberalized trade, capital flows, large part of services and opened up to the external world in general, and to the EU in particular, at an unprecedented speed. Not less importantly, this process was carried out not only in periods of high growth, but, mainly in the first years, in a deep transformation crisis. In such a situation, most countries, not least the developed EU members, would have immediately resorted to protectionist measures (even in slow growth periods or facing sectorial problems, we can see this practice). In contrast, the new members did not interrupt their opening up, and did not protect their companies that lost most of their external markets as a result of the collapse of the "socialist integration", and also part of the domestic market due to intensive external competition. Maybe, a small part of the economic and social costs could have been saved or better distributed over a longer time period. However, this was probably the price they had to pay for sustainable growth, rapidly increasing competitiveness and the development of locational advantages for international (and domestic) capital.

Second, as a heritage of the previous decades and a basic difference to most other emerging economies, the new member countries linked structural change and opening up to the availability of highly-skilled labour and well-educated societies. In the era of globalization and technological revolution, this asset must not be underestimated. It is not only a potential source of further sustainable development in the new member countries, but also a relevant contribution to the shaping of a more competitive European integration. In this context, the ranking of the new member countries in the framework of the basic goals of the Lisbon agenda is instrumental. The first interim report (prepared by Murray in 2003) on the time-related fulfillment of the Lisbon agenda pointed out that in four out of the eight basic objectives, the average of the best three - at that time candidate - countries of Central and Eastern Europe was nearer to the Lisbon goals than the average of the EU-15 (and not that of the worst performing old members). It is too early to state whether this favourable position can be maintained for the next decade, but, evidently, national economic policies, supported by EU financial resources, should do the best to keep on exploiting this potential.

Third, economic liberalization, higher competition and rapid structural change have substantially enhanced the social and institutional flexibility of the new member countries. It seems to be easier to introduce fundamental reforms in the new Central and Eastern European EU members than in the status-quo-oriented Western European countries. For instance, large-scale pension reforms started in Hungary or in Poland much earlier than in selected old EU member countries. Also, labour markets became more flexible, institutions had to be restructured, and social mentality had to be changed. Obviously, this process was not without losses and also the future contains some uncertainties. Concerning the first, and at least temporarily, institutional break-up led to the weakening of the legislation and the enforcement mechanism, negative selection of professionals (partly due to better opportunities in the private or the international business, partly as a result of mistaken party politics following national elections), and weakened interest implementation in negotiations with multinational companies and international organizations (including negotiations on EU accession). Second, it would be

premature to provide a definitive assessment of the impact of transformation and liberalization, as well as EU accession on the behaviour of the society. Political, economic and socio-cultural developments usually have different time spans, with longer digestion and reaction periods for the latter. The emergence of some negative fallout of the too rapid changes of the last 15 years is not unlike. Therefore, it is extremely important that politicians and experts be prepared to face eventual challenges. Not less important is, however, the positive experience with EU membership just in the first and critical years after accession.

Fourth, at least some of the new members were better prepared for membership than the current net beneficiaries of the EU-15. Although their GDP per capita level may have lagged behind, their opening to international trade and capital flows, the rapid spread of privatization including not only classic manufacturing and service activities but strategic sectors as well (banking and insurance, public utilities) and quick transformation of whole sectors with low level (if any) of adjustment support or subsidies can hardly be compared with the slow process of changes that took place in the Mediterranean countries before and after accession. The list of transitional measures is a clear proof of the different situation. While Greece, Portugal and Spain enjoyed several-years-long transitional periods, even including free trade issues, the documents of the "Eastern" enlargement contain less than 300 such measures, of which part was introduced at the request of the old member countries (transportation, free flow of labour). The difference is even more striking if we take into account that the *acquis communautaire* to be accepted and enforced by the new member countries was about the double of the volume the Mediterranean countries had to take on (let alone the "quality" of the requirements).

Fifth, due to the above mentioned factors, the catching-up process in most of the new member countries started years before accession. In turn, it proved to be a sometimes longer term consequence of membership in the net beneficiaries of the EU-15. For instance, the best performing country, namely Ireland, needed 15 years of membership to start reducing the initial gap in GDP per capita terms. Neither the global challenges nor the dynamism of the European integration allow the new member countries to keep on waiting for several years in order to start the catching-up process. Just the opposite, it is widely expected that membership will accelerate this process within a very short time (otherwise negative impacts deriving from disappointment and "second-class membership" may quickly emerge).

Sixth, trade and capital integration with the EU-15 reached high and in some cases higher levels before accession than that of several of the old member countries. The Central European countries became more "dependent" on their trade with the EU than most old members. Not less importantly, within the EU-25, the Czech Republic, Slovakia and Hungary represent the highest intra-EU export shares (above 80 per cent of total exports each of them). Rapid growth of trade relations and gaining market shares in the EU-15 countries was accompanied by structural upgrading of exports. Today, about two-thirds of Hungarian exports to the EU consist of high- and medium-level technology products. This share reaches 45 to 55 per cent in the exports of the other Central European countries (excepting Poland). International capital originating in the EU-15 has gained strategic positions in most new member countries (unlike in the Mediterranean even today). For various reasons and as a result of fortunate production factor mix, Central Europe became a favourite location of transnational corporations. The transitional

measures imposed on the free flow of labour have further accelerated this process. Restrictions on labour flows have necessarily led to a sustained flow of capital towards the new member countries and created new job opportunities, export facilities and increased competitiveness.

Seventh, the economic geography of the European integration already shows clear signs of important changes. It is not only the higher growth rates, rapid increase of productivity or unique structural change supported by large inflows of foreign capital that have to be observed. The map of European trade relations started to change already a decade ago. As a consequence, in 2003 Germany already imported 10 per cent more commodities from the five Central European countries (Poland, Czech Republic, Slovakia, Hungary, Slovenia) than from France, its main partner. Taking the manufactured goods alone, the difference reached not less than 50 per cent in favour of the new members. This process is developing at a lower speed in international capital flows, however the trend is obvious even in this area. As a result of accession, new dynamic factors are likely to emerge, as trade in services, the enhanced involvement of small- and medium-sized companies into intra-EU trade and capital flows, the emergence of regional multinational firms in the new member countries and the dramatic increase of trade relations among the new members.

Eighth, all new members wanted to enter a competitive, rapidly growing and solidarian European Union. This expectation was so unanimous and unquestionable that not even the issue was raised during the public debates and the referenda on membership. It was taken for granted that everybody was interested in a Europe that functions as a global player both in the international economy and, increasingly, in world politics. Thus, everybody hoped for a future-oriented integration. Unfortunately, in the last months various factors, partly and wrongly attributed to the enlargement, have strengthened the status-quo behaviour in several old and key member countries. One can only wish that this wave will not last for long and will not catch and capture some of the new members or part of their economic lobbies or public opinion.

5. Changing balance of power in the enlarged Union

One of the biggest and most lasting impacts of the current enlargement is the dramatically changing balance of power in several aspects.

On the one hand, the sheer size of the new EU consisting of 25 members has to be coped with. To be sure, the most important conditions have been elaborated and enforced well before the big-bang enlargement took place. Even without the European Constitution, the integration can keep on functioning in the next years (however, the entry of Bulgaria and Romania would already raise new questions if the institutional framework remains as it is today, *e.g.* the redistribution of seats in the European Parliament). Interestingly, the decision-making process in the enlarged Union did not slow down as a result of 25 members in the last year. Just the opposite, the new members could become involved in EU structures without substantial frictions (but certainly with a lot of new lessons, not all of them favourable). In some instances, as in the European Parliament, their active presence was considered to be a relevant input into the future work of this institution.

On the other hand, the balance between large and small member states, always in the focus of careful consideration of the integration, has been fundamentally changed. As compared with the construction of the EU-15 consisting of 5 large and 10 "small" countries, the enlargement brought into the integration just one large and 9 "small" countries. Therefore, the balance shifted from 5 to 10 to 6 to 19. Further enlargement will definitely add to the number of small countries (being Romania and, much later, Turkey of a different magnitude). In principle, it could support the federative efforts in the enlarged EU, since the small countries generally feel more secure in a federal structure than in an intergovernmental one dominated by some large members.

Moreover, traditional strategic and temporary alliances have to be reconsidered. As already mentioned, the French-German "locomotive of the integration" does not seem to function both due to the new structure of the integration and the new realities in the two key countries of the EU. Britain would certainly play a more important role in the shaping of the future of the EU. However, a free-market approach will hardly satisfy the new and "small" members who want to have a real political community without great-power-domination.

Therefore, a much more flexible structure of alliance (or alliances) can be imagined. The most probable outcome is a formation of one or two large countries cooperating with a larger number of "smaller" countries. This, however, needs a "21st century leadership culture" that could be carried out by one or two large country and accepted and supported by the "smaller" ones. Such a leadership should observe three preconditions. First, no country must be given a leadership position automatically in any area of integration. Second, all issues of enhanced integration have to remain open for accession to any other member country at a later stage. Third, the number of strategic issues of European integration has to remain limited in order to avoid any kind of atomization or fragmentation of the enlarging community.

6. Requirements and consequences of the "geographic cohesion"

The outstanding features of "Eastern" enlargement are geographic location and the implications that boost European growth, development and cohesion policies. Two basic differences can be identified just by looking at the map of enlargement.

First, with the exception of the two islands, none of the new members represents the geographic periphery of Europe. In contrast to all previous and current net beneficiaries (Ireland, Greece, Portugal and Spain), that formed the Northwestern, the Southeastern and the Southwestern geographic periphery of Europe, the eight Central and Northeastern European countries clearly belong to the geographic core of Europe. The same holds for Bulgaria and Romania as well as for the Western Balkan countries, particularly if Turkey, *i.e.* Turkish membership is considered as a future option of enlargement of the European integration. To put it in the clearest form: none of the new members represents the geographic border of Europe, either to the North, to the South, and particularly not to the East; Europe, as a continent continues farther to the East, even if, just in this direction, its geographic borderline is a debated issue between geographers, historians, politicians and social scientists.

Second, all new and future member states have common continental borders. While Ireland is an island, Greece can be considered also as such, since it has no continental

border to any other EU member, and Spain and Portugal can be characterized as countries surrounded mainly by seas, the new (and future) member states share several common continental borders. As a result, the EU's structural and cohesion policy should be fundamentally changed and focused on large cross-border projects aiming at improving the physical infrastructure and the environmental protection of the new and future member countries. All large net beneficiaries of the EU-15 could design and implement national development projects essentially financed from EU resources and should not take into account the needs of neighbouring countries or the development perspectives of larger (cross-border) regions. It is more than interesting that over twenty years it was not a priority of Greece to strengthen cross-border cooperation with the bordering Balkan countries or Turkey. Spanish-Portuguese cooperation experienced a lot of troubles from both sides, deriving from historical rivalry and economic and political differences. It took a more positive way when money available for large transeuropean networks seemed to be jeopardized as a result of the ongoing "Eastern" enlargement.

There are plenty of justified arguments why the EU should establish a new objective in the financial perspective covering the period between 2007 and 2013 that would definitely support the development of Central and Eastern European infrastructure and environmental protection. This objective could be partly financed from the national entitlements of the respective countries, plus from additional EU resources to be rechannelled from the old toward the new beneficiaries of the community budget.

The political importance of such a priority is more than clear not only for the new member countries but for those on the waiting list, for it is an evident expression of keeping the door open to them and to let them benefit from the positive impact of integration well before their accession to the EU.

In addition, this objective would improve the efficiency of the resources to be invested in several ways. First, there is widespread experience that common projects used to be more efficient and less expensive than individual national ones. Second, their multiplier effects could create clusters overarching national borders and develop new growth centres in the enlarged and enlarging Union. Third, and not less importantly, national prestige projects, a general phenomenon of large-scale developments, could be prevented.

The economic importance of a cross-border infrastructure fund within the framework of the new financial perspective can hardly be doubted. As the experience of several new member countries indicates, the development of the physical infrastructure, particularly that of the highway networks has a strong and positive impact on the attitude of foreign (and domestic) capital to choose the most competitive locations for production and service activities. Both in the Czech Republic and Hungary, the map of highways (built and in the process of building) and that of the geographic position of transnational companies show a surprisingly high level of overlapping. The sustainability of economic growth, the catching-up in the new member states and the emergence of new and competitive growth centres in the European integration require not only the West-East extension of the highway (and railway) networks, but, first of all, the creation of appropriate North-South connections linking the Baltic countries with the Balkans through Poland, Slovakia and Hungary.

Last but not least, such an objective could substantially restructure the current pattern of the EU budget and redirect larger amounts of money towards the new and "poorer"

member countries. Considering the changed and further changing economic map of the European integration (new trade and capital networks), this goal could be easily shared by several developed and net contributing member states of the EU. In addition, this seems to be the way how to unlock the stalemate that is accompanying each discussion about the distribution of community-level financial resources.

7. The new neighbourhood of the enlarging EU

Excepting the two Mediterranean islands and the Czech Republic, one or more border sections of all new member countries represent the common external border of the enlarged EU. These borders, however, can be classified in two groups. We call "soft" borders those that are shared between one new member country and another European country with clear or general promise of membership. In turn, "hard" borders are considered those that are shared with another European country without having the promise or perspective of full-fledged membership in the EU. Thus, the borders of the Baltic countries with Russia and Belarus, the Polish borders with Belarus, Russia and the Ukraine, as well as the Slovak-Ukrainian and the Hungarian-Ukrainian borders belong to the "hard border" category. In contrast, the Slovenian border to Croatia or the Hungarian ones to Croatia, Serbia and Romania can be characterized as "soft" borders that, sooner or later, will become internal borders of the enlarging EU.

The changing neighbourhood map of the continent is obviously increasing the importance of the member countries representing the external borders of the EU. On the one hand, and mostly in cooperation with other member states, they are responsible for the internal security of the entire integration. According to the current plans, the Schengen border can *de facto* be shifted to the Eastern (and Southern) borders of the new member countries by 2007. On the other hand, the new member countries have a special task of and interest in developing comprehensive political, economic and civilian contacts with their non-EU neighbours. Borders should not separate but unite Europe, even outside the institutional framework of integration. National minorities living either in the territory of new members (mainly Russians in Estonia and Latvia), in not-yet EU members {e.g. Hungarians in Serbia, Romania and Croatia) or on the other side of the "hard borderline" (Poles, Slovaks and Hungarians in the Ukraine) are just one reason for enhanced cross-border cooperation and regional stability. Another and at least as important factor is the dynamic role such a neighbourhood policy is expected to develop in the interest of a competitive Europe. The continent's political and economic position in the unfolding global framework to a large extent depends not only on successful community-level and domestic adjustments but also on the stabilization of its geographic environment and the deepening of cooperation with the new neighbours. In this context, the new member countries will certainly enrich politics, social attitudes and public opinion in all member countries, and on the community level, future-oriented decision-making.